



# The Daily Whip

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**THURSDAY, JUNE 17, 2004**

House Meets At...	Last Vote Predicted At...
<b>10:00 a.m.: Legislative Business</b> <b>Ten "One Minutes" Per Side</b>	<b>8:00 – 10:00 p.m.</b>

**FLOOR SCHEDULE AND BILL SUMMARY**

**H.R. 4520 – The Thomas FSC/ETI Bill (Rep. Thomas / Ways and Means) (Subject to a Rule).** H.R.4520 is a modified version of H.R. 2896, Ways & Means Chairman Thomas' bill to replace the FSC/ETI tax regime. GOP inaction on this matter prompted trade-related sanctions imposed by the European Union on a wide variety of US products (mainly agricultural, metals, machinery, and electrical equipment) that began March 1, 2004 and could eventually amount to \$4 billion. Thomas has ignored substantial bipartisan agreement in the House and Senate over how best to address this problem. In an effort to overcome two years of bipartisan opposition to his effort to increase incentives to move American jobs overseas, **Chairman Thomas has cobbled together a variety of corporate tax breaks, extenders and other sweeteners that have nothing to do with reforming international tax law.**

- **Thomas Continues to Push Tax Breaks for Overseas Investment and Jobs Abroad.** During a time of historic job loss in America, Thomas retains as the core of his bill \$35 billion in incentives to U.S. firms to invest overseas. The cost of these incentives rises when timing gimmicks are removed.
- **Thomas Adds to the Deficit.** At a time of historic deficits and without a realistic budget plan, instead of simply solving a \$4 billion problem, H.R. 4520 includes nearly \$150 billion in gross tax cuts with a net cost of \$34 billion over the ten years.
- **Thomas favors Broad Corporate Tax Benefits rather than targeted US Manufacturing credit.** Thomas also chose to use revenue from repeal of FSC/ETI to provide a broad and complex tax break for large corporations (including those with international production), rather than more focused relief that would also benefit smaller manufacturers and farm cooperatives that create jobs and have production solely in the U.S.
- **Extraneous Provisions Likely Dropped in Conference.** In a speech to the Federation of American Hospitals this Spring, Chairman Thomas described his views on the legislative process: *"The other thing that is really lousy about legislative bodies in a democracy is that everybody has the same vote. So you have to take their interests into consideration if you want their vote, unless you can figure out a way where they think they're getting something and they're not, but that only happens once usually."* Thomas is employing this strategy with extraneous provisions such as tobacco buyout and the deductibility of state sales taxes, both of which are scaled-back versions of proposals that Democrats in certain states have supported, and are unlikely to be supported by GOP conferees.
- **Thomas Holds important and popular tax extenders hostage.** A one-year extension of the R&D Credit, wind and renewable energy credits, and welfare to work credits are among \$14 billion in extenders that have been purposely delayed so Thomas can use them as cover for his cause.
- **Thomas includes controversial revenue raisers on individuals to offset cost of corporate tax incentives.** Buried in the fine print of Thomas' 400-page bill are provisions to outsource IRS debt collection, create additional paperwork for charitable contributions and only nominal punishment of companies and individuals that expatriate in order to avoid taxation.

**Democrats are urged to VOTE NO.**

The Rules Committee has recommended a closed rule with no amendments, one hour of general debate, and one motion to recommit with or without instructions. The Rules Committee also amended the underlying bill by adopting the following Manager's Amendment:

- Modification of Aquatic Resources Trust Fund Provision, Section 251: Provides for the transfer of a portion of the fuel excise taxes paid on fuel used by motorboats and small engines from the general fund to the Aquatic Resources Trust Fund beginning in 2007.
- Modification Of Attorney-Client Privilege, Section 615: Strikes provision that clarifies that taxpayer identity is not covered by attorney-client or authorized tax-practitioner privilege with respect to tax shelter investor lists.
- Limiting Cost Of Tobacco Program Repeal, New Section 713 And Section 725: The current "no net cost" tobacco program employs assessments on producers, manufacturers and tobacco importers to offset the program's cost. The amendment ensures that the buyout will cost no more than \$9.6 billion by continuing to apply the current assessments to tobacco currently covered by the "no net cost" program and clarifies the limitation.



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The unfair Republican Rule denies Democrats the opportunity to offer the Rangel alternative. The Rangel alternative was patterned after an expanded version of the bipartisan H.R. 1769 (Rangel/Manzullo/Crane/Levin), which is deficit-neutral and provides an incentive to manufacturers to keep jobs in the United States by reducing corporate tax rates for domestic production of 3.5%.

- The Rangel alternative would have removed the provisions that provide incentives to move jobs overseas and the targeted special interest provisions.
- The Rangel alternative would provide better treatment for Small Businesses (S Corps), Farming cooperatives and Domestic Manufacturers Creating Jobs in the US.
- The Rangel alternative included all the extenders that Thomas has added to his bill, such as small business expensing, R&D tax credit, and renewable energy (wind, solar) credits.
- The Rangel alternative would have provided the same temporary foreign income repatriation provision contained in the Senate Grassley/Baucus bill.
- The Rangel Alternative provided a permanent solution on deductibility of State and local sales taxes, as opposed to the two-year, limited provision under the Thomas bill.
- The Rangel Democratic Alternative does not add to the Deficit, dropped controversial revenue raisers from the Thomas bill (such as outsourcing tax collections to private debt collectors) and strengthened tax shelter provisions and rules that crack down on corporate expatriates.

Therefore, **Democrats are urged to VOTE NO on this unfair Republican Rule.**

**H.R. 4568 - Department of the Interior and Related Agencies Appropriations Act for FY05 (Rep. Taylor (NC) / Appropriations) (Open Rule - Complete Consideration).** This bill provides new appropriations of \$19.5 billion for FY05 for the Interior Department, the Agriculture Department's Forest Service, and cultural programs. These funds include: \$1.74 billion for the Bureau of Land Management; \$2.25 billion for the National Park Service; \$1.3 billion for the Fish and Wildlife Service; \$2.3 billion for the Bureau of Indian Affairs; \$4.2 billion for the Forest Service (Agriculture Department); \$3.03 billion for Indian Health (HHS Department); \$1.37 billion for the Energy Department; \$620 million for the Smithsonian Institution; \$121 million for the National Endowment for the Arts (NEA); and \$138 million for the National Endowment for the Humanities (NEH). Funds for conservation programs, including the Land and Water Conservation Fund, are \$831 million, a \$233 million decrease from FY04 and well short of the bipartisan agreement reached in 2000 to increase conservation spending to \$1.68 billion by FY05.

Yesterday, the House completed general debate on this bill and considered numerous amendments. Today, the House is expected to consider additional amendments including **an important amendment by Rep. Holt on snowmobiles that Democrats are urged to support.**

**H.R. 4567 - Department of Homeland Security Appropriations Act for FY05 (Rep. Rogers (KY) / Appropriations) (Open Rule - One Hour of General Debate - Begin Consideration).** This bill provides \$33.1 billion for operations and activities of the Department of Homeland Security in FY05. New appropriations for the Department of Homeland Security include \$10.4 billion for border and transportation security (\$6.25 billion for the Customs and Border Protection Bureau, \$3.53 billion for the Bureau of Immigration and Customs Enforcement, \$3.22 billion for the Transportation Security Administration); \$4.06 billion for the Office of Domestic Preparedness; \$5.42 billion for emergency preparedness and response; \$7.30 billion for the U.S. Coast Guard; \$1.18 billion for the Secret Service; \$854 million for information analysis and infrastructure protection; \$1.13 billion for science and technology; and \$1.73 billion for citizenship and immigration services.

Under the rule adopted yesterday, only amendments that do not require waivers of points of order are permitted.

## TOMORROW'S OUTLOOK

The GOP Leadership has announced the following schedule: On Friday, the House will meet at 9:00a.m. for legislative business. The House is expected to complete consideration of **H.R. 4567 - Department of Homeland Security Appropriations Act for FY05 (Rep. Rogers (KY) / Appropriations)**

### Daily Quote...

- "They have really porked this bill up. . . . There's stuff for whale fishermen in there."
- Rep. Tom Davis (R-VA), regarding the Republican FSC/ETI bill, in *CQ Today*
- "I'm firmly opposed. This bill should be ditched. It's a bad bill."
- Rep. Donald Manzullo (R-IL), regarding the FSC/ETI bill, in *CQ Today*